

Message Text

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ACTION STR-07

INFO OCT-01 IO-13 STRE-00 ISO-00 AF-10 ARA-10 EA-10
EUR-12 NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 IGA-02 /161 W

-----004053 231956Z /41

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TO SECSTATE WASHDC PRIORITY 6372

INFO AMEMBASSY TOKYO

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USMTN

PASS STR ELECTRONICALLY FOR ACTION

E.O. 11652: N/A

TAGS: ETRD, MTN, JA

SUBJECT: U.S. STATEMENT ON JAPAN'S MTN OFFER

1. FOLLOWING IS TEXT OF U.S. STATEMENT EVALUATING JAPAN'S
MTN OFFERS AT U.S.-JAPAN BILATERAL MEETING FEB 23.

BEGIN TEXT.

OUR JOINT OBJECTIVE SHOULD BE TO REACH AGREEMENT AS
QUICKLY AS POSSIBLE ON MUTUALLY ACCEPTABLE REDUCTION OF
TRADE BARRIERS. WHILE WE CANNOT SIGN OFF ON A PACKAGE
UNTIL INTENTIONS OF OTHER PARTICIPANTS ARE KNOWN (AND
UNTIL GAPS IN OUR RESPECTIVE OFFERS HAVE BEEN CLARIFIED),
THE STRAUSS/USHIBA COMMUNIQUE OF JAN 13 ESTABLISHES AGREED
BILATERAL GOALS FOR THE MTN. WE ATTACH PARAMOUNT
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IMPORTANCE TO IMPLEMENTATION OF THE CONCEPTS RECORDED IN
THAT COMMUNIQUE. WE SHOULD EVALUATE EACH OTHER'S OFFERS
IN TERMS OF WHETHER THEY ACHIEVE:

(A) BASIC EQUITY IN U.S.-JAPAN TRADING RELATIONSHIP;

(B) SUBSTANTIALLY EQUIVALENT COMPETITIVE OPPORTUNI-

TIES (SECO);

(C) PARITY IN OPENNESS OF BOTH MARKETS;

(D) COMPARABLE AVERAGE LEVELS OF BOUND TARIFFS.

2. MEASURED AGAINST THESE TESTS WE HAVE CONCLUDED JAPAN'S OFFERS FALL UNACCEPTABLY SHORT IN ALL AREAS--NON-AGRICULTURAL TARIFF CUTS, AGRICULTURAL TARIFF AND NTMS, AND NON-AG NTM LIBERALIZATION.

3. FIRST, SOME COMMENTS ON JAPAN'S NON-AGRICULTURAL TARIFF OFFER. THE AVERAGE NON-AGRICULTURAL TARIFF BARRIER U.S. EXPORTERS ACTUALLY FACE IN JAPAN IS 7.5 PERCENT; JAPAN'S OFFER PROPOSES TO REDUCE THIS TO 6 PERCENT (A 19 PERCENT CUT). THE CORRESPONDING U.S. TARIFF BARRIER JAPANESE EXPORTERS FACE IN THE U.S. IS 6 PERCENT WHICH OUR OFFER WOULD REDUCE TO 3.2 PERCENT (A 49.7 PERCENT CUT). THE U.S. OFFER ALSO INVOLVES \$5.4 BILLION IMPORTS FROM JAPAN THAT WOULD BE NEWLY DUTY-FREE (CLOSE TO 40 PERCENT OF OUR TOTAL IMPORTS FROM JAPAN). JAPAN'S OFFER INVOLVES ONLY \$1.5 MILLION IMPORTS FROM U.S. THAT WOULD BE NEWLY DUTY-FREE (ONLY ABOUT 1 PERCENT OF THE TOTAL IMPORTS FROM U.S.).

THE DEPTH OF CUT OF YOUR OFFER VIS-A-VIS IMPORTS FROM THE U.S. IS HARDLY THE TYPE OF CUT ENVISAGED DURING THE TOKYO LIMITED OFFICIAL USE

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BILATERAL AND NOT THE KIND OF LIBERALIZATION WHICH WOULD HELP TO CORRECT THE CURRENT ACCOUNT SURPLUS JAPAN IS RUNNING.

4. LOOKING AT THE IMPACT OF YOUR OFFER ON THE BASIS OF TARIFF INTERVALS, WE FIND:

(A) IN THE TARIFF INTERVAL OF 0.1-5.0 PERCENT (U.S. TRADE INTEREST OF \$500 MILLION), THE RESULTING AVERAGE OF BOUND/GENERAL RATES IS STILL CONSIDERABLY ABOVE THE PRESENT APPLIED RATE AVERAGE IN THAT INTERVAL. YOUR OFFER IS TO REDUCE ON AVERAGE FROM 3.9 PERCENT TO 2.4 PERCENT, WHILE YOUR APPLIED RATE AVERAGE IS NOW 1.0 PERCENT.

(B) SIMILAR RESULT OCCURS IN THE 15.1-20.0 PERCENT TARIFF INTERVAL (\$300 MILLION U.S. TRADE INTEREST). YOUR OFFER IS TO REDUCE FROM AN AVERAGE OF 19 PERCENT TO 9.3 PERCENT WHILE CURRENT APPLIED RATE AVERAGE IS 7.6 PERCENT.

(C) IN TWO OTHER INTERVALS YOUR OFFER IS ON AVERAGE ONLY SLIGHTLY BELOW CURRENT APPLIED RATES AVERAGES:

5-10 PERCENT INTERVAL (\$1.1 BILLION U.S. EXPORTS),
OFFER IS TO CUT FROM 8.6 PERCENT TO 5.0 PERCENT
WHILE CURRENT APPLIED RATE AVERAGE IS ALREADY
6.2 PERCENT.

10-15 PERCENT INTERVAL(\$1.1 BILLION U.S. EXPORTS),
OFFER CUTS FROM 14.6 TO 7.6 PERCENT, BUT APPLIED
RATE AVERAGE IS CURRENTLY 10.8 PERCENT.

5. THE FOUR TARIFF INTERVALS I HAVE JUST REFERRED TO
ENCOMPASS OVER 95 PERCENT OF YOUR DUTIABLE IMPORTS FROM
THE U.S., AND IN TWO OF THE INTERVALS YOUR OFFER WOULD
NOT PRODUCE MEANINGFUL REDUCTIONS IN ACTUAL RATES FACED
BY U.S. EXPORTERS. SUCH AN OUTCOME WOULD BE INTERPRETED
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BY U.S. BUSINESS AND THE CONGRESS AS FRAUDULANT. IT
WOULD GIVE THE APPEARANCE OF THE U.S. TRADING AWAY DEEP
AND MEANINGFUL CONCESSIONS FOR REDUCTIONS OF FICTITIOUS
RATES.

6. WE WISH TO REGISTER OUR EXTREME DISAPPOINTMENT WITH THE QUALITY OF THE JAPANESE OFFER IN SPECIFIC PRODUCT GROUPS:

--IN PHOTOGRAPHIC FILM, JAPAN'S OFFER FALLS SHORT OF MATCHING THE U.S. OFFER OF DUTY-FREE TREATMENT.

--IN OFFICE AND COMPUTING EQUIPMENT (AN AREA WHERE JAPAN IS ALREADY INTERNATIONALLY COMPETITIVE), JAPAN'S NEW AVE OFFER OF ABOUT 10-12 PERCENT COMPARES WITH THE NEW U.S. AVE OF 1.3 PERCENT.

--THE OFFER ON PAPER AND PAPER PRODUCTS WOULD NOT RESULT IN NEARLY ENOUGH REAL LIBERALIZATION SINCE IT CONSISTS IN IMPORTANT PART OF OFFERS TO BIND LIMITED OFFICIAL USE

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CURRENTLY APPLIED RATES ON ITEMS OF MAJOR INTEREST TO THE U.S.

--THESE EXAMPLES ARE MERELY ILLUSTRATIVE IN CHARACTER. IN ALMOST ALL PRODUCT SECTORS OF INTEREST TO THE U.S., THE JAPANESE OFFER IS ORDERS-OF-MAGNITUDE LESS FORTHCOMING THAN THE U.S. OFFER.

6. IN ORDER TO ENGAGE OUR BILATERAL NEGOTIATIONS MORE MEANINGFULLY, WE ARE IN PROCESS OF DRAWING UP A LIST OF PRODUCTS OF PARTICULAR INTEREST TO THE U.S. THESE ARE ITEMS FOR WHICH WE SEEK CUTS SIGNIFICANTLY DEEPER THAN CURRENTLY BEING OFFERED BY JAPAN. WE WILL BE PRESENTING THIS LIST TO YOU SHORTLY. WE ARE OPEN TO A SIMILAR REQUEST LIST FROM JAPAN.

7. JAPAN'S AGRICULTURAL OFFERS.

THESE COVER ONLY APPROXIMATELY A QUARTER OF THE LINE ITEM REQUESTS MADE BY THE UNITED STATES AND ONLY APPROXIMATELY A FIFTH OF THE TRADE VALUE REPRESENTED IN THOSE REQUESTS. FOR THOSE REQUESTS THAT WERE ADDRESSED, THE DEPTH OF CUT OFFERED IS APPROXIMATELY ONLY 30 PERCENT, WITH MANY OF THE CUTS BEING OFFERED AMOUNTING TO ONLY A FEW PERCENTAGE POINTS. JAPANESE OFFERS WITH RESPECT TO AG NON-TARIFF MEASURES WERE SIMILARLY INADEQUATE, FOR EXAMPLE, THEIR FAILURE TO MAKE NTM OFFERS ON BEEF AND CITRUS WITH RESPECT TO WHICH WE WILL BE SEEKING SUBSTANTIAL ADDITIONAL LIBERALIZATION BEYOND THE UNILATERAL ACTION ANNOUNCED BY JAPAN IN JANUARY.

8. JAPAN FAILED TO MAKE ANY OFFER ON MANY OTHER HIGH PRIORITY U.S. REQUESTS, INCLUDING PORK, MOST POULTRY, EGGS, FROZEN VEGETABLES, DRY PEAS AND BEANS, AVOCADOES, GRAPEFRUIT AND GRAPEFRUIT JUICE, GRAPES, ALMONDS, PRUNES,

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PEANUTS, LARD, VEGETABLE OILS OTHER THAN SOYBEAN OIL, DEHYDRATED POTATO PRODUCTS, GRAPEJUICE, ORANGE JUICE, TOMATO JUICE AND TOMATO PASTE AND SAUCE.

WHILE THE FOLLOWING BY NO MEANS EXHAUSTS AREAS OF SUBSTANTIAL INTEREST TO THE UNITED STATES, WE WISH TO FLAG OUR PARTICULAR DISAPPOINTMENT WITH JAPAN'S RESPONSE TO OUR REQUESTS FOR TARIFF REDUCTIONS ON FISH. WE SOUGHT REDUCTIONS ON 4 ITEMS, JAPAN OFFERED NO REDUCTIONS ON 2 OF THEM, OFFERED A VERY MODEST REDUCTION OF 1 PORTION OF ONE REQUEST AND, ON THE 4TH ITEM, JAPAN OFFERED TO BIND THE RATE IT HAS BEEN CHARGING FOR THE PAST 6 YEARS.

BOURBON--JAPAN'S OFFER IS MEAGER, ONLY A 3.5 PERCENTAGE CUT AND NO OFFER ON DISCRIMINATORY JAPANESE TAXES.

TOBACCO PRODUCTS--JAPAN MADE NO OFFER ON 2 REQUESTS ON VERY HEAVILY PROTECTED ITEMS.

9. JAPAN'S OFFERS ON NON-TARIFF MEASURES ARE SIMILARLY DISAPPOINTING. WE MADE REQUESTS ON FOUR GENERAL MEASURES AND EIGHTEEN PRODUCT-SPECIFIC MEASURES. JAPAN'S RESPONSE CONTAINS NO OFFER ON TWO OF OUR GENERAL REQUESTS AND NO OFFER ON 15 OF OUR SPECIFIC REQUESTS (BUT DOES INCLUDE AN OFFER TO ELIMINATE A NON-EXISTENT MEASURE ON WHICH WE DID NOT MAKE A REQUEST). WE WOULD LIKE TO GO INTO EACH OF OUR NTM REQUESTS IN DETAIL AT AN EARLY DATE WITH THE OBJECTIVE OF NEGOTIATING AN ACCEPTABLE SOLUTION. AS YOU KNOW, NON-TARIFF MEASURES OF INTEREST TO U.S. FOREST PRODUCTS PRODUCERS WILL BE RAISED AT THE MARCH MEETING IN TOKYO. WE HAVE ALSO SENT YOUR DELEGATION A LETTER IN THE PAST COUPLE OF DAYS ABOUT JAPANESE NON-TARIFF MEASURES AFFECTING OUR ABILITY TO SELL PLEASURE BOATS IN JAPAN

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DOE-11 OIC-02 /161 W
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AND LOOK FORWARD TO A POSITIVE RESPONSE AT AN EARLY DATE.

10. THE FOREGOING REFLECT OUR KEEN DISAPPOINTMENT WITH JAPAN'S OFFERS. WE BELIEVE THEY NEED VERY SUBSTANTIAL IMPROVEMENT ACROSS-THE-BOARD TO CARRY OUT THE JANUARY 13 COMMITMENT TO ACHIEVE TRADING RELATIONS BASED ON PARITY, EQUITY, SECO AND COMPARABLE AVERAGE LEVELS OF BOUND TARIFFS. WHILE WE CANNOT AT THIS STAGE CALCULATE THE FINAL WEIGHTED AVERAGE U.S. TARIFF ON IMPORTS FROM JAPAN (UNTIL THE "TO BE SPECIFIED LATER" ITEMS ARE CLARIFIED), THE U.S. OFFER PRESENTLY ON THE TABLE WILL REDUCE THE WEIGHTED AVERAGE OF U.S. TARIFFS ON NON-AGRICULTURAL IMPORTS FROM JAPAN TO 3.2 PERCENT FOR THE ITEMS COVERED; JAPAN'S OFFER WOULD ONLY REDUCE THE TRADE-WEIGHTED AVERAGE RATE FACED BY U.S. EXPORTERS TO JAPAN FROM 7.5 PERCENT TO 6 PERCENT.

END TEXT. CULBERT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, PROTECTIVE TARIFFS, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 23 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA02905
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780084-0691
Format: TEL
From: GENEVA USMTN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780224/aaaaatmv.tel
Line Count: 318
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d3669ed1-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3509326
Secure: OPEN
Status: NATIVE
Subject: U.S. STATEMENT ON JAPAN'S MTN OFFER
TAGS: ETRD, JA, US, MTN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d3669ed1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014